

PITTSBURG COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
ANNUAL FINANCIAL STATEMENTS
JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Pittsburg County Economic Development Authority
McAlester, Oklahoma

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg County Economic Development Authority, a component unit of Pittsburg County, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

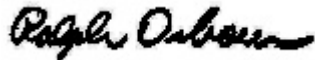
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg County Economic Development Authority as of June 30, 2013, and the respective changes in financial position, thereof, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Pittsburg County Economic Development Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2015 on my consideration of Pittsburg County Economic Development Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 3, 2015

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 97,304
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Restricted Assets:

Cash and Cash Equivalents	1,281,831
Accounts Receivable	319,159
Accrued Interest Receivable	<u>9</u>

Total Current Assets	<u>1,698,303</u>
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Noncurrent Assets:

Capital Assets

(Net of Accumulated Depreciation of \$1,792,361)	22,696,292
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Bond Discount

(Net of Amorization of \$62,330)	71,102
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Bond Issuance Cost

(Net of Amortization of \$794,412)	<u>943,894</u>
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Total Noncurrent Assets	<u>23,711,288</u>
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Total Assets	<u>25,409,591</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	25,370
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Accrued Interest Payable	27,267
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Bonds Payable - Current Portion	<u>1,104,427</u>
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Total Current Liabilities	1,157,064
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Noncurrent Liabilities:

Bonds Payable	<u>7,075,573</u>
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Total Liabilities	<u>8,232,637</u>
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Net Position:

Capital Assets, Net of Related Debt	14,516,292
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Restricted by Bond Indenture	1,281,831
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Unrestricted	<u>1,378,831</u>
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Total Net Position	<u>\$ 17,176,954</u>
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The Accompanying Notes are an Integral Part of These Statements.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenue</u>
Function/Programs					
Governmental activities					
Capital projects	\$1,149,138	\$ 29,485	\$ -	\$ -	\$ (1,119,653)
Total governmental activities	<u>\$1,149,138</u>	<u>\$ 29,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,119,653)</u>

	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue	<u>\$ (1,119,653)</u>
General revenues	
Transfer from Pittsburg County	2,212,075
Investment Income	<u>124</u>
Total general revenue and transfers	<u>2,212,199</u>
Change in net position	1,092,546
Net position - beginning	<u>16,084,408</u>
Net position - ending	<u>\$17,176,954</u>

The Accompanying Notes are an Integral part of these Statements.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents \$ 97,304

Restricted Assets:

Cash and Cash Equivalents 1,281,831

Accounts Receivable 319,159

Accrued Interest Receivable 9

Total Current Assets 1,698,303

Noncurrent Assets:

Bond Discount

(Net of Amortization of \$62,330) 71,102

Bond Issuance Cost

(Net of Amortization of \$794,412) 943,894

Total Noncurrent Assets 1,014,996

Total Assets 2,713,299

LIABILITIES

Current Liabilities:

Accounts Payable 25,370

Total Current Liabilities 25,370

Total Liabilities 25,370

Fund Balance:

Restricted by Bond Indenture 1,281,831

Unrestricted 1,406,098

Total Fund Balance \$ 2,687,929

The Accompanying Notes are an Integral Part of These Statements.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

Total fund balance \$ 2,687,929

Amounts reported in the Statement of Net Position
are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets	24,488,653	
Accumulated depreciation	<u>(1,792,361)</u>	22,696,292

Long-term liabilities are not due and payable
in the current period and therefore are not
reported as liabilities in the fund. Long-term
liabilities at year end consist of:

Interest payable	(27,267)	
Note payable	<u>(8,180,000)</u>	<u>(8,207,267)</u>

Total net position \$ 17,176,954

The accompanying notes are an integral part of this financial statement.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED JUNE 30, 2013

Revenues:

Administration Fees	\$ 29,485
Investment Income	124
Taxes passed through Pittsburg County	<u>2,212,075</u>
Total Revenues	<u>2,241,684</u>

Expenses:

Trustee Fee	9,250
Legal and Professional	39,735
Insurance Expense	3,603
Capital Expenditures	5,235
Amortization Expense	124,782
Debt Service	
Bond Principal	1,945,000
Bond Interest	<u>366,100</u>
Total Expenditures	<u>2,493,705</u>
Excess of Revenues over (under) Expenses	(252,021)
Fund Balance - Beginning of year	<u>2,939,950</u>
Fund Balance - End of Year	<u><u>\$ 2,687,929</u></u>

The Accompanying Notes are an Integral part of these Statements.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Pittsburg County Economic Development Authority, a public trust, was created by an amendment, dated May 28, 1981, to an original trust indenture dated November 6, 1978 creating the Pittsburg County Home Finance Authority, under the provisions of Title 60, Oklahoma Statutes, Sections 176 to 180.4 inclusive, as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The beneficiary of the Trust is the County of Pittsburg, Oklahoma.

The purpose of this trust is:

"To assist the Beneficiary, the State of Oklahoma, its Governmental Agencies, municipalities, and private entities, agencies and citizens in making the most efficient use of their economic resources and powers in accord with the needs and benefit of the state of Oklahoma and the Beneficiary in order to lessen the burdens on government and to stimulate economic growth and development, specifically including, but not limited to, the power to conduct studies and prepare comprehensive plans relating to the future economic growth and development of the Beneficiary; to inventory the services, facilities and resources of the entire Beneficiary County; to promote, stimulate, encourage and finance the growth and development of agriculture, commerce, and industry of the Beneficiary County as a whole, all in order to achieve maximum utilization of the Beneficiary County's human, economic and natural resources and tourist attractions; to foster and promote an industrial climate and the payroll of the Beneficiary County and to otherwise promote its general economic welfare and prosperity and to finance any and all programs, facilities or resources promoting or intending to promote any of the foregoing and, without restriction, in furtherance of the foregoing general objectives..."

Except as discussed in note 1.E., the financial statements of the Pittsburg County Economic Development Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described following.

The accounting policies of the Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units.

A. Reporting Entity:

In evaluating how to define the Pittsburg County Economic Development Authority, for financial reporting purposes, management has considered if it is a component unit of a primary government. The Pittsburg County Economic Development Authority is considered a component unit of Pittsburg County, Oklahoma. This is due to the fact that the Board of County Commissioners serves as the Board of Trustees for the Authority and all revenue of the Authority is derived from a sales tax agreement with the County.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
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The Trustees of this Trust shall be citizens and residents of the Beneficiary, who are the persons presently constituting the Chairman and members of the Board of County Commissioners of the Beneficiary, such Board of County Commissioners being the governing Board of Pittsburg County and hereafter called "Governing Board", and the persons who shall be their successors as Chairman and members of said governing board of said Beneficiary, and each such successor in office shall without any further act, deed or conveyance, automatically become Trustees of this Trust and become fully vested with all the estate, properties, rights, powers, duties and obligations of his predecessor hereunder with like effect as if originally named as a Trustee herein. The person, who shall be the County Clerk of the Beneficiary, shall act as Secretary of the Trustees. The person, who shall be the County Treasurer of the Beneficiary, shall act as Treasurer of the Trustee.

B. Basis of Accounting:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statements of Net Position and the statement of activities. These statements report financial information for the Authority as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Authority general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function program is an assembly of similar activities and may include a portion of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. The accrual basis of accounting is used by the Authority. Its revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Fund Financial Statements

Fund financial statements of the Authority are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principals (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales taxes, intergovernmental revenues, and investment income. In general, other revenues and expenses are recognized when cash is received.

FUND TYPES AND MAJOR FUNDS

The Authority is a special purpose governmental unit. It reports a general fund and no other funds.

B. Cash:

The Pittsburg County Economic Development Authority's cash accounts are maintained by the Pittsburg County Treasurer in a pooled cash account.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Investments:

Statutes authorize the Authority to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the Authority can invest in direct debt securities of the United States unless an investment is expressly prohibited by law.

D. Net Position:

The net position represent funds available for future operations or distribution.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS:

The Authority's deposits and investments by type are shown below:

Type of Deposits	Fair Value	Maturities in Years		
		On Demand	Less Than One	More Than One
Cash				
Demand Deposits	\$ 97,304	\$ 97,304	\$ -	\$ -
U.S. Obligations	1,281,831	1,281,831	-	-
Totals	<u>\$ 1,379,135</u>	<u>\$ 1,379,135</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy to manage exposure to fair value losses arising from increasing interest rates. The Authority discloses its exposure to interest rate risk by disclosing the maturity dates of its various instruments.

Custodial Credit Risk:

Exposure to custodial credit risk related to deposits exists when the Authority hold deposits that are uninsured and uncollateralized; collateralization with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the Authority holds investments that are uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the Authority's name.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The Authority does not have a formal investment policy as it relates to custodial credit risk. State law limits the investments available to the Authority and is described in Note 1.C. The investment policy limits acceptable collateral to U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the State of Oklahoma. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Authority must have a written collateral agreement approved by the board of directors or loan committee.

Concentration of Investment Credit Risk:

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the Authority (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2013, the Authority had no concentration of credit risks as defined above.

NOTE 3 - ACCOUNTS RECEIVABLE:

The Authority's accounts receivable consisted of the following:

<u>Payer</u>	<u>2013</u>
Simonton Building Products, Inc.	\$ 133,000
Due Pittsburg County	186,159
Total Accounts Receivable	<u>\$ 319,159</u>

Accounts receivable from Simonton Building Products, Inc. consists of administrative fees and audit costs charged per Article 3, paragraph 11, of the Financing Agreement dated October 1, 2001, Series 2001 Bonds, which provides for an annual administrative fee, payable to the Authority, equal to one-eighth (1/8) of one percent of the amount of bonds outstanding as of September 30 of each year, payable on or before October 30 of each year; and the Borrower's pro rata share of the issuer's annual audit costs, payable in arrears. The bonds were paid in full as of December 2011, however, the amount listed above is for fees due prior to full payment of the bond that were left unpaid.

Accounts receivable from Pittsburg County consists of taxes collected by the County and paid to the Authority in July 2013.

NOTE 4 - ACCRUED INTEREST RECEIVABLE

The Authority has accrued interest receivable from its investments and its note from Simonton Building Products, Inc. at June 30, 2013 in the amount of \$11. The interest was received in July 2013.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - RESTRICTED ASSETS:

The amounts reported as restricted assets in the Statement of Net Position are comprised of cash and investments held by the trustee bank on behalf of the Authority related to its required revenue bond accounts as described in Note 2.

The restricted assets as of June 30, 2013 were as follows:

Bond Series/ Account	Cash and Cash Equivalents
Series 2005/2007	
Revenue	1,135,662
Interest	65
Rebate Account	8,459
Principal	39
Courthouse Project	137,606
Total Restricted Assets	<u>\$ 1,281,831</u>

NOTE 6 - CAPITAL ASSETS:

The Authority's capital asset activity for the fiscal year ended June 30, 2013 consisted solely of costs associated with the construction of a County Detention Facility, County Animal Shelter, and improvements to the County Courthouse. All additions are capitalized as Construction in progress and are shown below:

Project	Balance 6/30/2012	Additions/ Retirements 2012-13	Balance 6/30/2013
County Detention Facility	\$ 11,124,084	\$ -	\$ 11,124,084
County Animal Shelter	1,437,206	-	1,437,206
County Courthouse Improvements	11,922,128	5,235	11,927,363
Total Assets	<u>\$ 24,483,418</u>	<u>\$ 5,235</u>	<u>\$ 24,488,653</u>
Accumulated Depreciation			
County Detention Facility	\$ (509,854)	\$ (278,102)	\$ (787,956)
County Animal Shelter	(125,755)	(35,930)	(161,685)
County Courthouse Improvements	(544,602)	(298,118)	(842,720)
Total Accumulated Depreciation	<u>\$ (1,180,211)</u>	<u>\$ (612,150)</u>	<u>\$ (1,792,361)</u>
Net Capital Assets	<u>\$ 23,303,207</u>	<u>\$ (606,915)</u>	<u>\$ 22,696,292</u>

NOTE 7 - BOND DISCOUNT:

The Authority's Sales Tax Revenue Bonds, Series 2005 were issued at a discount of \$95,893. The discount will be amortized over 180 months, the life of the bonds. The amortized discount for the fiscal years ended June 30, 2013 was \$6,393.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
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The Authority's Sales Tax Revenue Bonds, Series 2007 were issued at a discount of \$5,761. The discount will be amortized over 180 months, the life of the bonds. The amortized discount for the fiscal years ended June 30, 2013 was \$384.

the Authority's Sales Tax Revenue Bonds, Series 2007B were issued at a discount of \$31,778. The discount will be amortized over 180 months, the life of the bonds. The amortized discount for the fiscal years ended June 30, 2013 was \$2,119.

NOTE 8 - BOND ISSUANCE COSTS:

The Authority's Sales Tax Revenue Bonds, Series 2005 were issued at a total cost of \$1,140,500. The cost of issuance will be amortized over the life of the bonds. The amortized bond issuance costs for the fiscal year ended June 30, 2013 was \$76,033.

The Authority's Sales Tax Revenue Bonds, Series 2007 were issued at a total cost of \$174,140. The cost of issuance will be amortized over the life of the bonds. The amortized bond issuance costs for the fiscal year ended June 30, 2013 was \$11,609.

The Authority's Sales Tax Revenue Bonds, Series 2007B were issued at a total cost of \$423,666. The cost of issuance will be amortized over the life of the bonds. The amortized bond issuance costs for the fiscal year ended June 30, 2013 was \$28,244.

NOTE 9 - ACCOUNTS PAYABLE:

The Authority's accounts payable at June 30, 2013 consisted of estimated professional fees.

NOTE 10 - ACCRUED INTEREST PAYABLE:

The Authority's accrued interest payable on outstanding bonds issued at June 30, 2013 was \$27,267. the interest was paid to the bondholders on July 1, 2013.

NOTE 11 - BONDS PAYABLE:

The Authority has issued \$17,375,000 in Sales Tax Revenue Bonds, Series 2005. The bonds were issued on December 1, 2005 with a maturity date of December 1, 2020. Interest on the bonds is payable semi-annually on the first day of the month beginning June 1, 2006 with interest rates from 3.00% to 5.00%. The bonds are secured by a county sales tax assessed at 0.75%.

The Authority has issued \$2,625,000 in Sales Tax Revenue Bonds, Series 2007. The bonds were issued on March 1, 2007 with a maturity date of June 1, 2021. Interest on the bonds is payable semi-annually on the first day of the month beginning June 1, 2007 with an interest rate of 4.00%. The bonds are secured by a county sales tax assessed at 0.75%.

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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The Authority has issued \$8,000,000 in Sales Tax Revenue Bonds, Series 2007B. The bonds were issued on November 1, 2007 with a maturity date of June 1, 2021. Interest on the bonds is payable semi-annually on the first day of the month beginning June 1, 2009 with an interest rate of 4.00%. The bonds are secured by a county sales tax assessed at 0.75%.

The sales tax proposition reads as follows:

"A proposition providing for funds for Pittsburg County, Oklahoma; authorizing levying a county excise (sales tax) of three-quarters of one (1) cent upon the gross proceeds derived from all sales to any person taxable under sales tax laws of Oklahoma, the proceeds of which to be deposited to a sales tax depository account with the Pittsburg County Treasurer, pledged toward the retirement of indebtedness incurred therefore and to be designated and used specifically as follows:

1. 48% Constructing, renovating, expanding, equipping, which includes three-sixteenths of one (1) cent for operating and maintaining, the Pittsburg County Jail;
2. 47% Acquisition of real property, constructing, renovating, expanding and furnishing the Pittsburg County Courthouse;
3. 5% Acquisition of real property, constructing, equipping, which includes one-sixteenth of one (1) cent primarily for operating and maintaining a new Pittsburg County Animal Shelter;

A portion of such sales tax, one-half of one (1) cent, shall have a limited duration of nineteen (19) years from the date of commencement, or until principal and interest upon indebtedness incurred on behalf of Pittsburg County by the Pittsburg County Economic Development Authority in furtherance of the capital improvement projects above-referenced is paid in full, whichever occurs earlier; while the remaining portion of such sales tax, one quarter (1/4 or four-sixteenths) of one (1) cent, shall be levied until repealed by a majority of the election of Pittsburg County in an election called for the purpose of posing said proposition; making provisions separable; and declaring an emergency."

<u>FY</u>	<u>Total 1 Cent</u>	<u>3/4 Cent</u>	<u>Avg Monthly</u>	<u>Change</u>
2012/13	6,869,271	5,151,953	429,329	-17.86%
2011/12	8,362,980	6,272,235	522,686	8.81%
2010/11	7,685,638	5,764,229	480,352	19.83%
2009/10	6,413,855	4,810,391	400,866	-10.58%
2008/09	7,172,925	5,379,694	448,308	29.32%
2007/08	5,546,483	4,159,862	346,655	28.51%
2006/07	4,316,135	3,237,101	269,758	254.74%
2005/06	1,216,711	912,533	76,044	N/A

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
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Changes in long-term debt for the years ended June 30, 2013:

Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
2005 Series Bonds	\$ 2,310,000	\$ -	\$ 1,205,000	\$ 1,105,000	\$ 339,427
2007 Series Bonds	1,845,000	-	175,000	1,670,000	180,000
2007B Series Bonds	5,970,000	-	565,000	5,405,000	585,000
Total	<u>\$ 10,125,000</u>	<u>\$ -</u>	<u>\$ 1,945,000</u>	<u>\$ 8,180,000</u>	<u>\$ 1,104,427</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2005 Series Bonds			
2014	\$ 339,427	\$ 37,411	\$ 376,838
2015	352,950	23,564	376,514
2016	367,012	9,165	376,177
2017	45,611	912	46,523
Total	<u>\$ 1,105,000</u>	<u>\$ 71,052</u>	<u>\$ 1,176,052</u>
June 30,	Principal	Interest	Total
2007 Series Bonds			
2014	\$ 180,000	\$ 63,200	\$ 243,200
2015	190,000	55,800	245,800
2016	195,000	48,100	243,100
2017	205,000	40,100	245,100
2018	210,000	31,800	241,800
2019-2022	690,000	53,130	743,130
Total	<u>\$ 1,670,000</u>	<u>\$ 292,130</u>	<u>\$ 1,962,130</u>
2007B Series Bonds			
2014	\$ 585,000	\$ 204,500	\$ 789,500
2015	610,000	180,600	790,600
2016	625,000	155,900	780,900
2017	640,000	130,600	770,600
2018	655,000	104,700	759,700
2019-2022	2,290,000	172,003	2,462,003
Total	<u>\$ 5,405,000</u>	<u>\$ 948,303</u>	<u>\$ 6,353,303</u>
Year Ending June 30,	Principal	Interest	Total
Total Bonds			
2014	\$ 1,104,427	\$ 305,111	\$ 1,409,538
2015	1,152,950	259,964	1,412,914
2016	1,187,012	213,165	1,400,177
2017	890,611	171,612	1,062,223
2018	865,000	136,500	1,001,500
2019-2022	2,980,000	225,133	3,205,133
Total	<u>\$ 8,180,000</u>	<u>\$ 1,311,485</u>	<u>\$ 9,491,485</u>

PITTSBURG COUNTY ECONOMIC DEVELOPMENT AUTHORITY
MCALESTER, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 - ASSIGNMENT OF INTERESTS:

The Trust Indenture between the Authority (Issuer) and BancFirst (Trustee) states that:

That the Issuer, in consideration of the premises contained herein and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and of the sum of One Dollar, lawful money of the United States of America, to it duly paid by the trustee at or before the execution and delivery of these presents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, in order to secure in the following order of priority, First, the payment of principal of, premium, if any, on and interest on the bonds according to their tenor and effect and the performance and observance by the Issuer of all the covenants expressed or implied herein and in the Bonds, and, Second, the payment to the Bank and performance by the Borrower of its reimbursement and other obligations under the Credit Agreement, does hereby assign, transfer, pledge and grant a security interest unto BancFirst, Oklahoma city, Oklahoma, as Trustee and unto its successors in trust and its assigns forever, in:

(1) The Financing Agreement and the Note and all right, title and interest (but not the obligations) of the Issuer under and pursuant to the terms thereof, all payments, revenues and receipts receivable by the Issuer thereunder (except amounts payable to the Issuer under the Financing Agreement with respect to fees, expenses and Issuer's right to indemnification and its right to consent to amendments to the Financing Agreement), including without limitation any payment or prepayment of the Note; and

(2) All of the right, title and interest of the Issuer in and to all funds (other than the Arbitrage Rebate Fund, as hereinafter defined) and accounts established under this Indenture and all moneys and investments now or hereafter held therein and all future and present revenues (as hereinafter defined);

NOTE 13 - CONTINGENT LIABILITIES:

The management of the Authority is not aware of any contingent liabilities which could have a material effect on the financial statements.

NOTE 14 - LITIGATION:

The Authority is not a known party to any legal proceedings which could have a material effect on the financial statements.

NOTE 15 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and contingencies through December 3, 2015, the date which financial statements were available. The Authority believes the following requires disclosure.

In December 2013, the Authority paid the Series 2005 bonds in full. In July 2015, the board took action to defease the Series 2007A and Series 2007B bonds.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Members of the Board of Trustees
Pittsburg County Economic Development Authority
McAlester, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pittsburg County Economic Development Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pittsburg County Economic Development Authority's basic financial statements, and have issued my report thereon dated December 3, 2015 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Pittsburg County Economic Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pittsburg County Economic Development Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Pittsburg County Economic Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

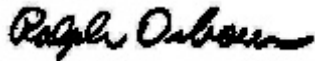
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pittsburg County Economic Development Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
December 3, 2015